

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NOS. TF-04-150 RPU-04-2 (APP-96-1) (RPU-96-8)
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**ORDER APPROVING COOPER TRACKER REVISIONS AND REQUIRING
ADDITIONAL INFORMATION REGARDING FULL EQUALIZATION**

(Issued September 27, 2004)

On April 30, 2004, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) its seventh annual reconciliation of recoveries and expenses under the Cooper Nuclear Station Capital Additions Tracker (Cooper Tracker). Included with the filing was a proposed long-term partial rate equalization plan to reduce electric zonal rate disparities using revenues from scheduled reductions in the Cooper Tracker and other adjustable cost recovery clauses. On May 28, 2004, the Board issued an order docketing MidAmerican's partial rate equalization plan for further investigation. In that order, the Board also approved a proposed tariff for Phase 1 of the plan, which made selective reductions of the Cooper Tracker for commercial, industrial, and South zone residential customers.

On August 30, 2004, MidAmerican filed proposed revisions to the Cooper Tracker to implement Phase 2 of its partial equalization plan. The revisions reflect the end of cost recovery of certain expenses associated with the Cooper Nuclear

Station through the Cooper Tracker. Under this proposal, MidAmerican will further its partial rate equalization goals by: 1) Maintaining the Cooper Tracker at current levels for residential base use customers in the lower-priced North and East zones, residential heating customers in the lower-priced North zone, and street lighting customers in the lower-priced North and East zones; 2) Eliminating the Cooper Tracker for everyone else; and 3) Using tracker revenues collected from North and East zone residential and lighting customers in step 1 to design “negative” trackers for residential and lighting customers in the higher-priced South zone.

In other words, the Cooper Tracker will continue not as a cost recovery mechanism for nuclear expenses but as a revenue-neutral rate equalization mechanism, requiring no rate increases and no changes in base tariff rates. No customer will receive an increase and a residential base use customer in the South zone using 750 kWh per month will experience a reduction of about 18 cents per month. Any balance in the Cooper Tracker account, when it ceases to be a cost recovery mechanism, will be applied to MidAmerican’s next alternate energy producer (AEP) clause reconciliation. No objections to the proposal were filed.

The Board will approve the August 30, 2004, filing. The filing represents a second step towards reducing MidAmerican's zonal disparities and does not increase rates for any individual customer.

In the Board's May 28, 2004, order docketing MidAmerican’s partial equalization plan for further investigation, the Board required MidAmerican to supplement its filing with additional information detailing when and how MidAmerican

intends to fully equalize and consolidate its class zonal electric rates. MidAmerican filed a response on June 17, 2004, indicating it currently has no plan to equalize rates beyond the phased reductions proposed in its partial plan. MidAmerican said it intends to file a cost-of-service rate case in 2010 and will further address rate equalization issues at that time.

In its April 30, 2004, long-term partial equalization plan, MidAmerican proposed other steps toward partial equalization in addition to the Phase 1 and 2 reductions. MidAmerican asked to use scheduled or anticipated decreases in the AEP cost recovery clause (2006 and 2007) and cost recovery associated with Quad Cities Nuclear Station Nuclear Decommissioning Trust (2008) to fund residential base rate reductions in the higher-priced South and East zones and base rate reductions for street lighting in the higher-priced South zone.

While the Board will approve Phase 2 of MidAmerican's partial equalization plan, the Board is not approving other phases of MidAmerican's long-term plan at this time. Other steps toward equalization beyond those contained in the long-term may be appropriate. For example, MidAmerican's plan does not completely reduce zonal disparities in residential and street lighting rates and does nothing to address commercial and industrial zonal disparities. In addition, there is no guarantee that zonal disparities will even be addressed in 2010.

On October 17, 2003, the Board in Docket No. RPU-03-1 approved a continuation of MidAmerican's revenue freeze and revenue sharing settlement. MidAmerican in a settlement committed not to file for a general increase that will be

effective prior to January 1, 2011, unless its return on equity falls below 10 percent.

The Board in its order noted that the settlement does not prohibit revenue neutral changes to minimize or reduce zonal rate disparities between MidAmerican's pricing zones.

The revenue freeze time period provides a unique opportunity to reduce zonal disparities during a time customers will not be impacted by general revenue increases. In other words, parties could focus solely on existing zonal disparities without the financial impacts of a rate increase layered on top of any impacts from zonal equalization. While MidAmerican opposes such a process, the Board believes equalization plans should at least be considered during the time of MidAmerican's revenue freeze, particularly if there is no cost justification for continuing the zonal disparities. Therefore, the Board will order MidAmerican to file various plans to fully equalize and consolidate its class zonal electric rates. Plans should be filed that would equalize and consolidate class zonal rates by the end of 2007, 2008, 2009, and 2010. MidAmerican may also file other plans for consideration. A summary of what MidAmerican views as the positives and negatives of each plan is to be included.

The proposals may have different phase-in periods for the various customer classes because of disparity of impact of the phase-in periods for class members in lower-priced zones when compared to the relative benefit for class members in the higher-priced zones. Any mitigating factors that support a faster or slower phase-in either on a system-wide basis or for individual classes should be explained. Finally,

because the Board may proceed with consideration of full equalization, MidAmerican shall also file a proposed customer notice pursuant to Iowa Code § 476.6(5) and the Board's rules.

IT IS THEREFORE ORDERED:

1. The proposed Cooper Tracker revisions filed by MidAmerican Energy Company on August 30, 2004, are approved, subject to complaint or investigation.
2. Any remaining balance in the Cooper Tracker account, when that account is no longer used for cost recovery, shall be transferred to MidAmerican's next AEP cost recovery clause reconciliation.
3. MidAmerican shall file the information identified in the body of this order within 30 days from the date of this order.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 27th day of September, 2004.